97-84032-8

Armitage-Smith, George

Political economy with special reference to...

Sutton

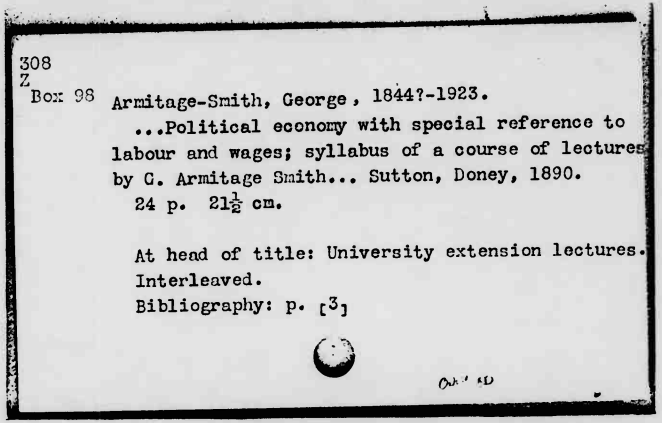
1890

97-84032-8
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



308
Z
Box 98 Armitage-Smith, George, 1844?-1923.
...Political economy with special reference to labour and wages; syllabus of a course of lectures by G. Armitage Smith... Sutton, Doney, 1890.
24 p. 21½ cm.

At head of title: University extension lectures.
Interleaved.
Bibliography: p. [3]

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm REDUCTION RATIO: 10:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-28-97 INITIALS: MS

TRACKING # : 22162

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

308
Z
Box 98

UNIVERSITY EXTENSION LECTURES.

Political Economy

WITH SPECIAL REFERENCE TO

LABOUR AND WAGES.

SYLLABUS

OF

A COURSE OF LECTURES

BY

G. ARMITAGE SMITH, M.A. (Lond.)

SUTTON, SURREY:
PRINTED FOR THE SOCIETY, BY DONEY & BARRY, 164, HIGH STREET.
1890.

CB Jan 15, 1923
21
Rec.

TEXT-BOOKS.

JEVONS, Primer of Political Economy, 1*s.* Macmillan.

MARSHALL, Economics of Industry, 2*s.* 6*d.* Macmillan.

JEVONS, State in relation to Labour, 3*s.* 6*d.* Macmillan.

OTHER BOOKS.

ROGERS, Eight Chapters on History of Work and Wages, 3*s.* 6*d.* Sonnenschein.

WALKER, Political Economy, 10*s.* 6*d.* Macmillan.

WALKER, The Wages Question, 12*s.* Macmillan.

MILL, Political Economy, 5*s.* 6*d.* Longman. *Or,*

FAWCETT, Political Economy, 12*s.* Macmillan.

MARSHALL, Principles of Economics, 12*s.* 6*d.* Macmillan.

Answers to the Weekly Questions should be posted to the Lecturer, at

26, Regent's Park Road,

N.W.

not later than the Fourth Day after the Lecture.

The packet should be endorsed with the *writer's name* and the *name of the centre.*

SCOPE AND AIM OF POLITICAL ECONOMY.

DEFINITION.—Political Economy is an inquiry into the *nature* of *wealth*, and the *causes* which govern its production, distribution, consumption, and exchange. It endeavours to find out the laws which regulate wages, profits, rent, &c., and how far these are fixed by nature or are capable of being altered by man.

All men desire *wealth*, i.e. they wish to obtain necessaries, comforts, refinements, luxuries. The ordinary *business* of life is mainly concerned with these matters. Its chief characteristic in modern times is free enterprise.

Political Economy seeks to discover principles which will explain all facts relating to wealth, and guide mankind in obtaining it more easily. It is a *scientific* inquiry, with a *practical* aim—to supply knowledge which may diminish poverty and increase the *general well-being*.

Special Character of Economic Laws.

The facts of nature (climate, soil, minerals, &c.) and the results of physical science, are amongst the data of Political Economy. But it is more especially concerned with *human motives* and *conduct* as they influence *wealth*. Laws and uniformities may be found here, which enable men to foresee and predict as in physical science, and thus to guide future action.

Economic motives and conditions are amongst the most powerful forces which form the character and affect the destiny of nations. Being concerned with causes and effects, Political Economy is a *science*, dealing with some of the complex facts of human nature, viz.:—its measurable motives. The laws are difficult to discover and are more frequently counteracted than those of physical science, but they are not less certain when applied to the gross. They are usually expressed as *tendencies*.

Relation to other Sciences.

(*a*) Political Economy treats of society only in its relation to wealth. It is a branch of Sociology which considers society in various aspects and relations.

(*b*) It is related to Politics, the science and art of government. Politics need guidance from Economics in matters affecting wealth: most political questions contain an economic element, and economic error leads to injurious legislation.

(*c*) It is closely related to Ethics, the science of conduct. In practice, the moral and economic questions are often involved, but the economic tendency can best be studied apart.

METHOD.—Induction and Deduction combined. Conclusions are obtained and verified by the observation of facts, historic enquiry, statistics; also by reasoning from general principles of human nature.

POPULAR MISCONCEPTIONS:

(*a*) Some, mistaking the familiarity of the subject-matter for

knowledge, ignore it as *useless*. But all who hold an opinion on any economic question claim in effect to be economists.

(*b*) Others affect to call it a *selfish* and *unworthy* study. They are ignorant of its aim.

(*c*) Others regard it as *dogmatic*. It combats prejudices and errors by scientific enquiry. Sometimes *abstract* conclusions are stated with too little regard for modifying circumstances; but Political Economy is perfectly impartial, favours no class or system, aims only at finding the *truth* and advancing the *material welfare of all*.

WEALTH. VALUE. UTILITY.

The *terms* used in Political Economy are taken from ordinary language; some are ambiguous, and need careful definition.

WEALTH is *everything* which possesses *exchange-value*—not to be confused with riches.

The mistake of identifying wealth with money. The Mercantile system, and its effects on commerce. The fallacy originated in the services rendered by money: these are a *measure of values* and an *instrument of exchange*.

Ambiguity of the term Value. Value in *use* and in *exchange*. Economic Value implies three attributes:

1. The thing is desired—has *utility*.
2. It is *limited in supply*—not to be had for nothing—costs labour.
3. It must be *transferable*.

The **Utility** of a thing (the service it renders) is that which gives it value, and consists in the properties which make it desirable. Thus, *labour is not the cause of value;* much labour may be expended upon things which are afterwards worthless; but labour is expended upon things because they are desirable (have utilities) and are scarce—cannot be had without trouble. And things which have a utility in some circumstances may in other conditions be positively hurtful, or have a *disutility*.

WEALTH.

(*a*) *Material*—matter which can be appropriated to serve human purposes. Its forms vary with knowledge of the properties of matter.

(*b*) *Non-material, personal, potential*. These are the human powers or properties (physical, mental, or moral) which can conduce to material wealth; they include skill, intelligence, honesty, &c.

Law of Variety.—Human wants are varied and unlimited: as some are satisfied, new wants arise. The aim of *Production* is to gratify these wants with the minimum of effort, to make labour as productive as possible, to secure maximum efficiency.

SOURCES OF SUPPLY OF WEALTH.

There are three factors or agents in Production—Land, Labour, and Capital. It is a common mistake to undervalue some one of these forces.

Man's part in production consists in moving things. Nature supplies the materials and the forces; man only alters, he does not create.

The error of the Physiocrats.

Labour may be productive or unproductive of wealth.

Productive labour invests matter with properties which give it value—creates utilities—increases general wealth.

Labour is unproductive by accident, by mistake, or by its nature.

Productive labour classified: (1) direct, (2) indirect (of five kinds). In civilized countries most labour is indirect, and involves the use of a large amount of stored-up wealth in the form of tools and machinery.

Efficiency of labour in production depends on:

1. The physical conditions of the country—soil, climate, &c.
2. The energy, skill, intelligence, industry, and morality of the labourer. All these are affected by his surroundings in early life, food, education, sanitary condition, prospects in life, hopefulness, free enterprise.
3. The social and political circumstances of the country.
4. The organization of labour. Economic expedients diminish the severity of labour, while they render it more highly productive.

Division of Labour confers many advantages: increases skill, saves time, leads to inventions, enables work to be classified according to capacity, secures full use of tools, multiplies services, and tends to the production of things in conditions and places best suited for them.

Limits to the application of this principle, and examination of some evils incident to it.

Influence of Machinery—immediate and ultimate.

CAPITAL.

Different uses of the term *Capital*.

Origin and function of *Capital*. Wealth saved to be employed in aid and support of labour in fresh production, to find subsistence, tools, and materials.

Capital not to be confused with money. Its forms and proportion regulated by the nature of the industry.

The need for capital arises in the fact that production takes time. Wages generally advanced by capital.

Waste or destruction of capital, and hindrances to the most efficient use of capital are a loss to labourers and to production.

Wealth is produced that it may be consumed. Nature of wise

consumption of utilities. Unproductive consumption is popular because it seems to encourage work by spending, while the effects of saving are not so readily seen. Illustrations of the effects of the diversion of consumption from one form to the other, as from drink to clothes or books. Luxuries and ornaments are economically desirable after necessaries.

In what sense industry is limited by capital. All wealth is constantly being consumed and reproduced. There cannot be an excess of capital, nor can there be *general* overproduction, but production may be misdirected.

Divisions of Capital:—*Fixed* and *circulating*—*wage* and *auxiliary*—*specialized* and *non-specialized*. Effects of an increase of fixed capital to the labourers and the community generally. In wealthy countries fixed capital is constantly increasing in amount and in variety. New industries arise, the standard of general comfort advances, commodities are cheapened. Economy of effort follows.

Circumstances that govern the growth of wealth, its limits, and possible means of overcoming them.

Growth of Capital depends on (1) *the power to save*, (2) *the will to save.*

(1) Is determined by the efficiency of labour, the physical and social conditions of the country, stability of government, &c.

(2) *The effective desire for accumulation* has regard to the future (prudence), opposes future to present enjoyment, and varies greatly in nations, individuals, and classes. It is favoured by education, good government, means of employing savings productively, security, &c. Strongest motives at present are—prospect of future advantage to self and family, and habit.

Savings from rent, wages, profits. Tendency for profits to decline; probable effect on the accumulation of capital.

Destruction of capital, and fresh openings for the employment of capital—Railways, Steam-ships, Inventions, Extension of foreign trade, higher standard of comfort of working classes.

Personal Capital: An investment in health, knowledge, skill—a large factor with professional classes. Productiveness of this kind of capital—its effect on wages.

The System of Large Production.—Economic gains from producing on a large scale. *Joint Stock* and Limited Liability. Utilization of small capitals. Growth of subsidiary industries. Centralization of manufactures in towns. Tendency to the massing of capital. Growth of a class of organizers of industry who direct capital and labour. Comparison of advantages and disadvantages of the large system of production. The **Law of Manufactures** is one of **Increasing returns** and falling prices.

State Production—Co-operation.

LAW OF POPULATION AND LAW OF AGRICULTURE.

The **supply of labour** is increased (1) by the growth of skill and inventions (increased efficiency), and (2) by increase of numbers.

The law of population is one of indefinite increase. There is no necessary limit in favourable circumstances. The effects of a period of prosperity are seen in an addition to population. Law of the survival of the fittest applies in the case of lower animals and vegetable life. Moral forces prevent the full application of this principle in case of man.

Malthus on the causes of poverty. Positive and preventive checks. Modification of doctrine by modern conditions. Counteracting agencies. Emigration. Importation of food. Education. Invention. Factory Acts, and an improved standard of comfort. Effects of Poor Law and voluntary charity. Danger of a too rapid multiplication of inferior races and less intelligent classes. How far population can be regarded as a measure of the wealth of the country—cases of different countries.

Present aspect of population question, and its bearing on wages.

The **Law of Agriculture** is a law of **Diminishing Returns.** After a certain point has been reached, every addition to produce is obtained by a more than proportionate increase of cost.

The law is proved by recourse to inferior land (either in fertility or situation) and by higher farming. The law applies, with some modifications, to all raw materials, to mining produce, and to fisheries. It comes into play immediately after full efficiency has been attained in production.

In agriculture its tendency to raise prices has been counteracted by improvements in the art of agriculture, by better means of communication, machinery, importation, and by emigration, which has at the same time relieved over-pressure of population at home, and developed the resources of countries whence our food-supply is obtained.

In manufactured goods the Law of Increasing Returns is opposed to the effects of the Law of Diminishing Returns on the cost of raw materials.

The Law of Diminishing Returns (law of scarcity) forms a *real limit* to the production of wealth—elastic and continually modified in its effects by fresh discoveries and inventions. The law is a tendency always acting to raise cost and limit supply.

DISTRIBUTION OF WEALTH.

The mode in which wealth is distributed depends upon social organisation, and is regulated by institutions, laws, and customs.

The system of *individual ownership* or private property, based on the idea of free enterprise, has gradually developed with the progress of mankind. The natural course of evolution is from the patriarchal system and village communities to individualism (Maine and H. Spencer). The development has been aided by the transition from agriculture to manufactures.

INDIVIDUALISM (competition with some modifications) provides the greatest stimulus to production, effort, and saving, but admits of great inequalities of wealth.

The various forms of COMMUNISM and SOCIALISM seek to attain some approach to equality, but fail to supply the stimulus to labour and thrift. They tend to repress individual energy and originality, to produce uniformity and mediocrity, and are not adapted to the present morality. Communistic, Socialistic, and other schemes may be roughly classed as follows:

IDEAL SCHEMES, such as Plato's Republic, More's Utopia.

VOLUNTARY SCHEMES: St. Simon, Fourier, Owen, Monastic and American societies, &c., all based on the hypothesis of human moral perfectibility, or on some religious idea.

SCHEMES BASED ON STATE AID.—Louis Blanc and National workshops in France, 1848. Lassalle and State Socialism in Germany. English Poor Law. Nationalization of Land: recent proposals of State Socialists in England. The tendency of these schemes is to weaken self-reliance, remove Responsibility, and augment Taxation.

INSTITUTIONS BASED ON SELF-HELP.—Trades Unions; Co-operative Societies; Industrial Co-partnerships; Credit Associations. These have succeeded and are capable of much fuller development. They increase efficiency, develope individual capacity, stimulate labour and saving, further invention and originality, and voluntary combination.

The institution of PRIVATE PROPERTY is based economically on expediency. Examples: Bequest and Inheritance; Prescription; Free Contract; Patents and Copyrights; Property in Land; Slavery and its Economic Effects.

Division of the produce under a system of free Industry; interest, profit, wages, rent, taxes.

Influence of **competition** and **custom** in regulating the shares. Interference with competition by monopolies, rings, corners, combinations, laws, &c.

Defects of competitive system:—permits overproduction, unemployed labour, waste of power, &c. The present organisation is by no means perfect. Further evolution may economise power and increase general well-being.

The system of private property and competition seems to assume the principle of *laisser faire*. This is not so; the principle receives considerable modification in some cases owing to defects which arise from apathy, selfishness, ignorance, weakness, &c.

Formerly the State interfered actively to determine wages, prices, rate of interest, exercise of trades, &c. (Statute of Labourers; Mercantile System; Protective Laws; Monopolies to towns and persons, &c.) *Laisser faire* was a natural result of the revolt against excessive control.

Economic study has, however, changed the method and aims of Government interference. Adopting non-interference as a general principle, it is found expedient for the State to intervene where the action of individuals might clash with public utility. The balance of the advantage and disadvantage of State interference has to be decided in each special case. Always seek for alternatives to State intervention.

CASES IN WHICH STATE INTERFERENCE HAS BEEN FOUND DESIRABLE:

1. To protect life, property, health, and morals. (Police, &c., Sanitation, Disease, &c.)
2. To diffuse Education and information. (Education Acts, Libraries, Museums, Trade Statistics, &c.)
3. To provide checks against unequal contracts, injustice, and oppression of the weak. (Factory Acts, Regulation of Mines and Workshops, Labour of Women and Children, Irish Land Courts, Cab Fares, Tolls, Adulteration, &c.)
4. Regulation of matters in which individuals are not competent judges, or which would become monopolies. (Coining, Currency, Sale of Poisons, Trade-marks, Registration, Post Office).
5. Measures to advance thrift and stimulate self-help. (Savings' Banks).
6. Cases where combined action is necessary to the general utility, and can not be voluntarily secured otherwise. (Roads, Banking-out Sea, Local Gas and Water, Municipal Interests, &c.)

VALUE.

Value is a relative term, and means ratio in exchange.

Price is value expressed in some common measure—money.

Law of Diminishing Utility: The degree of utility varies with the quantity of commodity, and ultimately decreases as that increases. (Jevons.)

The Marginal or Final Utility of a commodity to a purchaser is measured by the price which he will pay for that portion which it is just worth his while to buy.

A Market includes all buyers and sellers of a commodity, who can be brought into relation, so as to influence the available supply or demand (and thereby the price) at any one time. Conditions of a perfect market.

Demand and Supply are not fixed quantities, but vary with the price, which seeks to equate them and produce equilibrium. Disregarding money or general purchasing power, every article is at the same time both Supply and Demand.

The price again varies with any circumstance which affects Demand or Supply (season, fashion, accidents, discoveries, &c.)

Some things are limited in supply, others are subject to artificial or occasional scarcity, they have a monopoly value regulated by Demand.

In other cases the supply is practically unlimited; such goods have a *Normal Value* which is dependent on their cost of production (in the least favourable circumstances). Market Value is the price at which the thing is actually sold, and varies continually, the fluctuations being about Normal Value, to which market value is always tending.

Causes of fluctuations in Market Values:—

1. Uncertainty of supply—some goods can be stored, others deteriorate quickly.
2. Seasons, and the action of speculators.
3. Fashion, war, or any circumstance which causes rapid changes in the demand.
4. Possibility of substituting other articles, and cases of joint production (beef and mutton, gas and coke).
5. Elasticity of Demand. Necessaries or luxuries. Amount of specialized capital and labour involved in production, &c.

Cost of Production is the sum of the efforts and abstinences of labour and capital incurred in the production. The price of these efforts and abstinences is the *Expense of Production.*

This may be analyzed into:

1. Raw materials (previous wages and profits).
2. Wages of labour.
3. Ordinary profits of producer (excluding that which is properly rent of ability).

4. Depreciation of machinery, plant, and insurance against risk.
5. Cost of carriage.
6. Rates, taxes, and *minimum* rent (*not* economic).

Normal Value is that which on the average would be realized under the free play of competition.

Normal Value implies continuous production and a fairly steady demand, and generally a large outlay of fixed capital.

Normal Value is not fixed,—over a period of time it moves slowly. This arises from two causes—the expenses of production alter, and the demand varies.

Inventions affect cost of materials and carriage, rate of interest falls, efficiency increases, wages change, &c. Again, any alteration in demand, by affecting the scale of the industry, calls into play the Laws of Increasing and Diminishing Return.

RENT OF LAND.

Brief description of English land system.

Economic Rent the Result of a Natural Monopoly.—An extra profit arising under competition from the superior advantages of some land over other cultivated land. Rent is not an element in the cost of food, but a surplus left over from the produce of better lands after the expenses of production have been recovered.

Rent arises from the different degrees of fertility and the law of *Diminishing Returns;* it measures the superiority of any land over the worst land which it is worth while to cultivate; this worst land is said to be on the *margin of cultivation*. Law illustrated by the rise in rents with the growth of population, and the recent fall in rents since the increased importation of food. The abolition of rent would not lower prices.

Custom modifies rent in England. It is more fully competitive in United States, where tenant and landlord are on same social level.

In case of land reclaimed or improved, the sum paid for its use follows the law of rent, though it is in reality interest on capital expended. Interest is a factor in most rents in England. The sum paid includes rent of farm buildings and interest on much capital sunk in land.

The theory of rent is applicable to other cases: Royalties on mining produce, patented inventions, ground rent of houses, privileges, fishing rivers, water power, shooting, and wages of exceptional skill or talent.

Influence on rents of growth of population, inventions, and improvements, railways, means of communication, and other forms of progress.

Peasant Properties and their economic results.

INTEREST AND PROFITS.

In the Distribution of Wealth, the share of Capital is usually called Profits. This is analysed into Interest, Insurance against risk, and Wages of management. The Capital may be borrowed by the organiser of industry (entrepreneur); interest is then paid to a separate person.

Under competition these factors are determined by economic laws:

1. **Interest** is the sum paid for the **use of capital.** The rate of interest depends upon the **supply** of loanable capital, and the **demand** for loans.

Interest is expedient to create capital—has been called "Reward of abstinence"; stimulates saving and lending.

Usury Laws—their origin, aim, economic effects, abolition.

A high rate of interest is a motive to accumulate capital; others exist — education, habit, temperament, prudence, regard for children, &c., would induce saving, but not necessarily lending, if interest fell to zero.

The **rate of interest** tends to fall with the advance of civilization; though much capital is wasted and destroyed, yet it increases more rapidly than population in advanced countries.

In the same market, with equal risks, the rate is uniform, and it tends to the same level in one country; but it varies in different countries, showing that competition is not perfect. For many reasons capital will not emigrate with complete readiness, except under the excitement of speculative mania.

2. **Risk.**—Rate of interest is measured by the best securities (Government stock). Higher rates imply risk which varies with the nature of the investment. Insurances measure some risks (fire, sea, &c.), but the risks in most loans are incapable of true measurement, e.g., loans to foreign governments or enterprises, mines, and productive undertakings generally. Much depends on the character and representations of borrowers.
3. **Wages of superintendence.**—This is the largest and most variable factor—depends on skill in organising. The successful employment of capital on a large scale demands special knowledge, both technical and commercial, resource, energy, promptitude, and administrative power. Men who combine these qualities can command the use of capital and become **entrepreneurs**—controllers of labour.

Entrepreneurs of ordinary talent make low profits; those with a genius for business make high profits, their ability and opportunity have a kind of monopoly value, hence this factor in profits is analogous to **rent,** it is the price paid for superior productiveness.

Walker analyses profits into interest, insurance, ordinary wages of management, and **profits;** the last factor is due to superior efficiency—is an additional value, and not properly an element in cost of production which is measured by the expenses of production where it is absent. Wages are not lower under the superior management where profit arises, hence it is not a deduction from wages.

WAGES.

Wages are **earnings** by labour of **any kind.** In the case of commodities produced by the three agents they are the **labourers' share** of the produce. Bought up in money and generally advanced by the employer, they have been called the **discounted value** of the produce of labour. Workmen may be said in one sense to make their own wages; but since the product is not usually realized before wages are paid, they must in most cases be advanced from capital.

Nominal wages are the **money** wages. **Real** wages are the commodities, &c., which the labourer gets with his money. These will vary in amount with the purchasing power of money, hence cheapness raises real wages when it arises from increased efficiency (inventions, skill, &c.), which multiplies commodities.

Wages depend—

1. **Ultimately** upon the efficiency of production—that is, the amount to be shared, and this is determined mainly by the strength, intelligence, and morality of the producers.
2. **Directly** upon the laws of Supply and Demand—that is, the number of labourers in each occupation and the demand for that kind of work, together with the capacity of the labourers to bargain.

Wages react upon Supply and Demand just as prices do in the case of commodities, only the action of wages is slower.

Examination of the Wage-Fund theory of Mill.

"The Iron law of wages"—Ricardo and the Socialists.

Profits and wages do not vary inversely.

Low Wages usually yield poor work and inefficient workmen; thus badly paid labour is **dear,** and tends to become worse by its effect on the workers and their children.

Good wages tend to raise the quality of the labourer and his work,—are consistent with a **low cost of labour.** The relation of population to wages depends on whether that population consists of efficient workers.

Unskilled labour—wages are low, the supply is large, and it is augmented by failures in all other occupations; the demand is not keen, and it tends to diminish with the growth of machinery and all forms of progress.

The **supply** of **unskilled labour** is influenced by the **standard of comfort** usual. This is variable, but it influences population. Higher wages may result in an improved standard or an increase of numbers; if the former there will be a permanent gain in efficiency, if the latter there is no advance.

A fall in wages already low may force down the standard and produce a permanent **degradation of labour.**

Skilled labour.—Various circumstances limit the supply in different occupations, and thus tend to raise wages. If a task is difficult or dangerous, demands skill, delicacy, or education, there are fewer competitors, and wages rise proportionally. Some gain monopoly value.

Adam Smith's five causes of variations in rates of wages.

Special disadvantages demand an equivalent, and special advantages permit a corresponding lower rate.

The **net advantages** of an occupation sum up these special circumstances, and, assuming perfect freedom of choice and power of changing occupation, the advantages and disadvantages of different occupations tend to equality.

The **supply of skilled labour** is limited by—

(*a*) Parents' regard for children and readiness to undergo self-denial for their advantage.
(*b*) Cost of entering an occupation, and means of parents.
(*c*) Capacity of parents to choose a suitable occupation for child, and estimate its net advantages and future prospects.
(*d*) Force of habit, customs, surroundings, and attractiveness of different employments.
(*e*) The possession of **industrial** qualities (physical, mental, and moral) requisite for a trade (specialized labour).
(*f*) Non-specialized qualities—judgment, intelligence, resource, &c., needful for organising and controlling production.
(*g*) Legal and trade restrictions—apprenticeship, government aid to education of different kinds as an investment.

Demand for skilled labour in each occupation depends on need for that special product, its utility, cost, wealth of society, growth of capital, and wants of other occupations.

Trades on same industrial level will tend towards equality of wages. Non-competing groups.

Competition of labour is very imperfect. Wages vary in same occupation in a country, and still more in different countries. Causes and tendencies which modify them.

Fluctuations in wages and their causes—speculative trade, over production, and depression, fashion, seasons, &c.

Wages of women—their rates, and the causes which govern them.

Tendency of **real wages** to rise, and of labour to become more efficient. Progress during past forty years.

Comparison of wages.—Different periods and different countries. Need to take note of **real** wages, the purchasing power of money; hours of labour; its severity and regularity; duration of working life; the comparative difficulty and cost of acquiring an occupation; any special circumstances which enter into net advantages.

ORGANISATION OF LABOUR.

TRADES UNIONS.

Legislative Interference with wages has not been successful.

The **Statute of Labourers** (1349) compelled children to follow the occupation of their parents—enabled justices of the peace to fix wages and compel labour. This led to insurrections.

The **Statute of Apprentices** (1562) similarly fixed work, wages and hours of labour.

The **Allowance system** (1795) was practically a fixed **minimum** wage made up from rates, which ruined ratepayers while it demoralised both labourers and employers.

Voluntary Combinations to Raise wages.—Trades Unions, the modern representative of craft guilds of middle ages (which however included both masters and men). Combination laws repealed 1825, followed by rapid development of Unions.

Trades Unions are: (1) Benefit societies for mutual assistance in sickness and want of employment; (2) Organisations to keep up and increase wages, and to advance the interests of members.

Favoured by factory system, in which large numbers of men with common interests are brought together, while the relations with the employers are less intimate than formerly, the association is natural, reasonable, just and beneficial if well directed.

The combination secures the maximum wage that employers can afford to give, and strengthens the men in demanding consideration of any grievance; it can **not** set aside the economic laws which regulate wages, or over-ride Economic conditions, but it can hasten a rise when the state of trade will permit.

Strikes have been a source of great loss to all classes, and when successful have generally been little less ruinous than failure. They are justified in extreme cases, like war. Compromise more frequent.

Examination of the methods of Unions to raise wages:—

1. Limiting supply of labour—a kind of protective duty to secure a monopoly for a few at the cost of those excluded, and by a rise in price.—Effect on apprenticeship system.
2. Limiting production—(*a*) Making work under the belief that the less done the more will remain to be done; (*b*) Working short time and refusing lower rate of wages.
3. Objections to piecework.—A minimum wage and uniform rate.
4. Restricting hours of labour.

5. Objecting to machinery and more efficient methods of production. By ignoring foreign competition trade has been lost to some localities.

6. Cases where one trade may gain a benefit at the expense of others.

Beneficial results of Unions:

1. As prudential societies in encouraging self-reliance and thrift.

2. As means of diffusing information as to conditions of trade (home and foreign), and of increasing intelligence.

3. As labour bureaux.—Organisations to adapt supply to demand; aiding and directing migration of workmen.

4. As a means of securing healthy workshops, &c., and of aiding in obtaining and carrying out factory legislation.

5. As means for securing Arbitration and Boards of conciliation for removing difficulties with employers.

6. As organisations for ultimately advancing Co-operative Production, and thus resolving the difficulty.

The *Indirect* advantages of Trades Unions exceed those which directly affect wages—In many occupations wages have risen without a Union under the law of supply and demand, and unions can not prevent a fall when trade is dull.

Recent developments of Trade combinations. Organization of unskilled labour and of women. The prominent feature of labour agitations is hostility to capital.

Attempts to secure a maximum eight-hour day by legislation, to command the labour market by excluding non-unionists from employment, to fix the rate of wages.

Probable effects if Economic conditions be exceeded:

(1) On prices of all commodities (including those of which labourers are large consumers), diminished demand.

(2) On Capital in reduced profits and the export of capital, with the intelligence which directs it, to other countries.

(3) On foreign competition, influx of foreign labour, and on population at home.

No combination or legislation can permanently secure higher wages all round, unless production is increased. Only by an addition to efficiency in some form can more wealth be shared.

CO-PARTNERSHIP AND CO-OPERATION.

PROGRESS OF THE WORKING CLASSES.

Trades Unions seek to secure a minimum wage and regular employment. The system of large factories rather tends to irregularity in both wages and work. Those who control capital and men on a large scale are in keen competition; when prices are high and profits good they are eager to take advantage of the market; this leads to overproduction, wages and profits fall, and men are thrown out of work. This is one of the greatest defects of the competitive system of large production, and it is difficult to devise a remedy which will secure steadiness of employment and remuneration. The uncertainty is demoralizing; the fluctuations of brisk trade and depression are hurtful to men and to society. So long as wages are regarded as a complete quittance, the services of the men can be purchased when required, and dispensed with when not wanted.

Various schemes have been suggested; the most effective must be one which unites the interests of employers and men, and recognises some form of co-partnership. This introduces a moral element, but it is found that the economic result benefits the employer.

Attempts to solve difficulties:

Arbitration.—An attempt to settle differences and avoid a strike by calling in skilled judges to fix a fair wage. A kind of legislation for wages not satisfactory as a system, though it may settle temporary disputes.

Conciliation.—Boards consisting of representatives of men and their employers meet to discuss difficulties, and by mutual concession avoid conflicts. A sliding scale of wage sometimes adopted. This principle has been very successful in some trades.

Profit Sharing or **Industrial Partnership.**—The plan of uniting labour and capital by giving men a right to a share of the profits annually. Opposed by Trades Unions, which keep up the idea of antagonism to capital, and also by employers who do not like to make known their profits. Adopted with great success by some private firms in France (Leclaire, Godin, &c.), and in a modified form in England.

The increased interest, zeal, and diligence of the men, the absence of strikes, and the security and feeling of partial ownership, the good relations which exist between all concerned, make it a highly profitable system. The scheme is especially adapted to industries in which superintendence is expensive, and skilled manual labour is a large part of the cost of production; it is less easily applied where machinery and specialized capital are large elements in production.

Co-operation.—This is the association of men themselves on terms of equality, supplying or borrowing their capital and electing managers from their own body. It is a high form of industrial progress and demands greater capabilities. Distributive co-operation has been very successful (Rochdale Pioneers, &c.), has educated men in thrift, economy, and combination.

Co-operative Production has special difficulties to encounter in securing competent management, and in administration. It is more speculative, and liable to be affected by depressions and fluctuations in trade; success depends more upon qualities, which are special to the individual and difficult for a co-operative society to procure and retain. Hence its slow progress, and success in few industries.

Agricultural co-operation in England.

Credit associations in Germany.

State Production.—Undesirable where there is Capital and Enterprise. State machinery is costly and elaborate and lacks the variety and readiness of free enterprise. Useful in cases of monopoly and in local matters demanding collective action, also in backward countries where there is little enterprise or capital and the governors are wiser than the governed (India).

In recent years there has grown up a tendency to demand that Government should control the Production and Distribution of wealth. History and experience give little support to the belief that Government can provide for the individual welfare of mankind better than they can provide for themselves. Liberty of individual action and free voluntary combination offer a surer road to happiness. In any case, Economic principles will assert themselves, and can not be ignored with impunity any more than the law of gravitation.

Conditions of Government production.

Progress of the Working Classes.—Rates of wages, cost of living, education, hours of labour, social changes, and other circumstances affecting the position of the labourer.

Foreign Competition.—Comparison of rates, hours, cost of living at home and abroad.

Cost of labour.—Its relation to wages and efficiency, in England and elsewhere. Movements of labour and of capital.

General conclusions.

WEEKLY QUESTIONS.

N.B.—*Give examples whenever it is possible to do so.*

WEALTH, VALUE, &c.

1. State the province of Political Economy, and examine its claims to be a Science. "Every Politician ought to be an Economist." Why?
2. Examine the objections that have been raised to Economics: (*a*) that it is a selfish study; (*b*) that it is hypothetical; (*c*) that it is superfluous.
3. How do we determine whether a thing is wealth; and how is it that Wealth varies in kind in different countries and times? Examine the grounds for regarding personal properties as Wealth.
4. Does the value of a thing correspond to the labour expended upon it? Give examples, and state the relation between Value and Labour.

SOURCES OF SUPPLY.

1. Explain what is meant by Productive and Unproductive Labour. Show the importance of the distinction. Give examples of various kinds of Unproductive Labour.
2. Contrast England and Egypt with regard to all the circumstances which affect efficiency of labour.
3. State and illustrate the advantages of Division of Labour. Discuss the disadvantages, with examples.
4. Examine at length the effects of the invention of machinery upon the interests of the labourers.

CAPITAL.

1. What is capital, how does it arise, and what determines its form? Is every addition to individual capital an increase of Wealth?
2. A man's acquired skill is sometimes called his Capital; justify the term, and examine into the importance of this kind of Capital.
3. "All wealth is created to be consumed." Examine distinctions in modes of consumption. Are all luxuries and ornaments wasteful consumption? What would be the result of their repression?
4. Describe the economic results of *large production* to both the workers and the community.

POPULATION, AND LAW OF AGRICULTURE.

1. State the Doctrine of Malthus, and discuss its application to present times. By what forces are the dangers of over-population opposed?
2. Explain the Law of Diminishing Returns and its proof. How does it accord with the present cheapness of food? To what does it apply besides agriculture?
3. In England savings from farming counties flow through banks to the manufacturing centres. In the United States the current is reversed, and flows from the East to the Western States. Account for these facts.
4. Shew by examples (and diagram) the joint results of the laws of Diminishing Returns, and Increasing Returns, in the case of manufactured articles.

DISTRIBUTION.

1. Explain Individualism, its merits and defects, from the Economic standpoint. On what grounds and in what ways does the *laisser faire* doctrine require modification?
2. What do Communism and Socialism seek to accomplish; and what are the means they advocate? Discuss them.
3. Contrast generally the *effects* of "State Socialism" with the results of systems based on Self-reliance, and examine in detail any one of the proposals for State control of industry.
4. What is meant by Competition? Summarize its advantages and defects as a system, and state the alternatives to it.

VALUE.

1. Explain clearly the terms Market Value, Normal Value, and shew their relation to one another. What things have no Normal Value?
2. Explain the Law of Diminishing Utility, with illustrations. Distinguish between total and marginal utility, with the aid of a diagram.
3. Give examples of different kinds of scarcity value; and shew how Equilibrium of Supply and Demand is obtained in the case of monopolies.
4. Examine into the nature and causes of change in Normal Values.

RENT OF LAND.

1. Explain Ricardo's Theory of Rent. On what assumptions does it rest? Is rent an element in the cost of an article?
2. How would rents be affected by the following respectively, in the case of a country producing its own food, and in one importing freely?—
   (*a*) A rapid growth of population;
   (*b*) Agricultural discoveries and mechanical inventions;
   (*c*) Cheaper communication with foreign countries.
3. Distinguish the elements that enter into ordinary House Rent: Which is most variable, and why?
4. Estimate the merits and defects of the system of Peasant Properties. What in your opinion would be its success in England?

INTEREST AND PROFITS.

1. Give an analysis of profits. "Profits are analogous to rent." Explain this statement.
2. What causes determine the rate of interest, and what circumstances affect those causes? Account for different rates of interest in different countries.
3. What reasons are assigned to explain the fall in *profits* as Society advances? Do they apply to all the elements of profits? What do you anticipate will be the effects on Capital?
4. "The analysis of rent, wages, and profits shews that they all contain like elements." Explain fully.

WAGES.

1. Distinguish between Money Wages and Real Wages, and mention causes which regulate the value of each. Why are wages in the same occupation higher in one part of the country than in others?
2. What do you understand by *Standard of Comfort* and *Degradation of Labour*? Can wages rise without encroaching on profits? What determines the standard?
3. In what respects does the price of labour resemble and differ from the price of commodities? Distinguish between the circumstances which determine the wages of unskilled labour, skilled labour, and of business management.
4. In recent years the wages of women in many occupations have risen considerably; account for this, and explain the cases where wages are still extremely low. Suggest remedies.

TRADES UNIONS.

1. Trace the effects of an attempt by legislation to fix the rate of wages. Discuss the question of a legal limit to the hours of labour.
2. In what circumstances and to what extent can Trades Unions raise wages or prevent a fall? Do they set aside the economic laws of wages?
3. What are the economic and other effects of Strikes? Are strikes justifiable or advisable in any instance?
4. State and examine various indirect modes adopted by Unions for influencing wages. What in your view are the chief advantages to be gained by Unions.

CO-OPERATION.

1. Discuss the difficulties of the "*Industrial Partnership*" system. To what do you attribute the slow progress of *Productive* Co-operation.
2. Explain *cost of labour* and show its influence on the industry of a nation. Illustrate from any real cases.
3. Enumerate all the circumstances which should be taken into account in making a comparison between the condition of labour in two different countries. Apply them to the case of England and some other country.
4. Discuss on economic grounds the desirability of the State undertaking productive industry, referring to examples, principles, and different sets of circumstances.

22162

END OF
TITLE